

**BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001**

Annual Compliance Report, 2014

Docket No. ACR2014

**Progressive Direct Mail Advertising
COMMENTS ON ANNUAL COMPLIANCE REPORT**

January 30, 2015

In accordance with the Postal Regulatory Commission's open docket for the U.S. Postal Service's Annual Compliance Report for Fiscal Year 2014 (No. ACR2014) my company, Progressive Direct Mail Advertising is submitting this letter as our formal comments for your consideration in this process.

Progressive Direct Mail Advertising is one of the largest most experienced direct mail marketing companies in Utah. Our company was founded in 1976 and is still a family run enterprise. As a direct mail marketing company, we cannot understate the central role the United States Postal Service plays in our daily business. We must maintain strong understanding of the Postal Services operations in order provide the best service to our clients. The more timely the mail is delivered, the lower our costs are, and in the end, the better we are able to serve our customers.

It is very difficult to read the newspaper without seeing negative articles about the Postal Service. They are running annual budget deficits, delivery times are longer, and it is time to right the ship. I write as a concerned business person, asking you to scrutinize every aspect of the Postal Services operations and finances to ensure the sustainability of this American institution.

In business operations, management must pay special attention to detail. From an accounting perspective, we must look at every product and business unit as its own business entity. You cannot determine if a product or offering is profitable unless all costs and revenue associated with it are accounted for. In the absence of proper accounting it is impossible to measure the true profitability of a certain business unit and thus it is impossible to manage a profitable business.

According to the agency's own Inspector General, the U.S. Postal Service has no mechanism to track and attribute costs for products accurately. Instead of applying real costs to real products, the Postal Service assigns roughly half of their operating costs to specific products or services and blindly categorizes 45% of costs as overhead. All products do not have the same profit margins, which is made clear in the Annual Compliance Report.

What is also concerning is the agency's constant encroachment into competitive markets to the detriment of letter mail service – the offering the Postal Service was originally chartered to perform. Looking at the Postal Service's Annual Compliance Report, it is difficult to determine

which products can and cannot cover their costs. Standard mail letters cover 200% of their costs while parcels only cover 66%. Periodicals or magazine deliveries cover 76% of their costs and total first class mail covers 221%. Standard mail and first class mail are monopoly products while parcel delivery operates in a competitive market. If products in competitive markets can't break even, commonsense leaves the average observer to question whether they should continue to finance the product in that market at all.

Deficits totaling \$30.5 billion since 2011, a \$5.5 billion deficit in 2014, and a maxed out credit line with the U.S. Treasury show that the Postal Service' finances have gone awry. The original intent, the core mission was to deliver the mail. Since Benjamin Franklin was the first Postmaster General over 200 years ago, Americans have depended on timely mail service at a reasonable price. Annual rate hikes for standard mail service and increased delivery times for this service are further becoming a reality.

The compliance report raises many more questions about the current operation and financial sustainability of the Postal Service than it answers. We write to ask the Postal Regulatory Commission to critique all aspects of the agency through this process. Instituting change to set the Postal Service on a more focused, profitable path forward is the right thing to do.

We ask that you consider these important realities and look forward to discussing these matters moving forward.

Respectfully submitted,

Jennifer Burrell
Chief Operating Officer
Progressive Direct Mail Advertising

Dated: January 30, 2015